

MSNBC.com

Top Democrat announces budget agreement

Plan leaves difficult fiscal decisions to next president

The Associated Press

updated 9:32 a.m. MT, Tues., May. 13, 2008

WASHINGTON - Democrats controlling Congress are leaving grim decisions on automatic tax increases to the next president and the newly elected Congress under a freshly negotiated House-Senate blueprint for the upcoming budget year.

The fiscal 2009 budget plan worked out in private talks between House Budget Committee Chairman John Spratt Jr., D-S.C., and his Senate counterpart, Kent Conrad, D-N.D., awards an approximately 4 percent increase on average to nondefense Cabinet budgets passed by Congress each year. But it makes no effort to rein in the rapidly rising cost of federal benefit programs such as Medicare.

Conrad told reporters he anticipates the nonbinding budget plan would pass both House and Senate by the end of next week. He declined to reveal key details.

Tom Kahn, Spratt's chief of staff, confirmed Tuesday that an agreement had been largely reached, but said a few details remain to be ironed out. He would not comment further, though many parameters of the plan are known.

On taxes, the measure assumes that many of President Bush's tax cuts expire as scheduled at the end of 2010, and relies on the resulting influx of tax revenues to balance the budget.

Congress' annual budget debate involves a nonbinding resolution that sets the stage for later bills affecting taxes, benefit programs such as Medicare and the annual appropriations bills. Unless such follow-up legislation is passed, however, the budget debate has little real effect and is mostly about making statements about party priorities.

This is such a year. Congress rarely tackles difficult budget issues as elections loom, and a standoff with Bush means Democrats may even take a pass on advancing the 12 annual appropriations bills.

The next president, on the other hand, will have no choice but to confront an enormous fiscal dilemma, starting with a deficit likely to exceed \$400 billion and scheduled automatic increases in taxes on income, investments, large inheritances, married couples and people with children.

Republicans are poised to assault the Democratic plan for permitting many of President Bush's tax cuts to expire. Fully extending them would cost \$161 billion in 2001, according to congressional estimates, and would quickly rise above \$250 billion a year.

The first year of an administration is typically when heavy lifting on the budget is done, but all the candidates' campaign plans seem to promise more than they can deliver, especially considering the entrenched budget deficit and the huge cost to the Social Security and Medicare programs of the retirement of the Baby Boom generation.

[Barack Obama](#)'s "Keeping America's Promise" manifesto, for example, is full of costly prescriptions for the economy. Obama proposes tax cuts for senior citizens and college students, and \$500 for every wage-earner, totaling \$80 billion-\$85 billion a year. He says he would pay for the tax cuts by closing loopholes and offshore tax havens, but those steps would fall far short of fully offsetting their costs.

[John McCain](#) wants not only to extend the Bush tax cuts, but also proposes to eliminate the alternative minimum tax, or AMT, which would add more than \$2 trillion in accumulated deficits to the federal ledger from 2010-2020. The AMT was enacted in 1969 to make sure the wealthy paid at least some tax, but it now also threatens about 20 million additional taxpayers with levies averaging \$2,000 if annual fixes aren't renewed.

Democrats say their budget plans would put the budget back in balance while also making investments in infrastructure, education, community development, clean energy and other programs. They dropped \$196 billion worth of Bush-proposed cuts to Medicare and the Medicaid health care program for the poor and disabled.